GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2817
ANSWERED ON:17.12.2004
NPA OF URBAN COOPERATIVE BANK
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Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India his currently estimated the accumulated bad loans (NPAs) of Urban Cooperative banks ;.n India at a staggering Rs. 11,915 crores;

(b) whether there is no clear demarcation of regulatory powers among the State Governments, NABARD and RBI resulting in cross directives thereby undermining the working of banks;

(c) whether the RBI has classified 205 banks as Grade IV facing imminent closure; and

(d) if so, the reaction of the Government thereto ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S SPALANIMANICKAM)

(a): The Gross NPAs of Urban Co-operative Banks(UCBs) in the country is Rs. 11922 crore as of 31.03.2004. This is 17.6% of the total advances.

(b) The regulation of UCBs is the responsibility of both State Registrars of Co-operative Societies and Reserve Bank of India (RBI). However, the Central Registrar of Co-operative Societies also regulates Multi-State Co-operative Banks. The Urban Co-operative Banks, being primarily coÂoperative societies, are governed by the provisions of Multi state/State Co-operative societies Act apart from Banking Regulation Act, 1949. The banking related functions such as issue of license to start new banks/branches, matters relating to interest rates, loan policies, investment, prudential exposure norms etc. are regulated and supervised by RE I under the provisions of BR Act, 1949 whereas powers in regard to incorporation, registration amalgamation, reconstruction or liquidation are exercised by the Registrar of Co-operative Societies of the state concerned under the respective Co-operative Societies Act of the State, and incase cf Multi state co-operative Bank, by Central Registrar of Co-operative Societies. At times, this results ir. overlapping of jurisdiction and difficulties in implementing regulatory measures. To overcome the regulatory overlap, RBI has been asked to suggest certain amendments to BR. Act, 1949.

(c) and (d): As of June 2004, the RBI have classified 203 banks as Grade IV banks that require urgent supervisory measures. The Board of Directors of these Banks are advised to formulate an action plan for the purpose of bringing a rapid turn around of the banks. The measures for strengthening the financial position of the Banks :nclude formulation of an action plan for recovery of NPAs, strengthening of capital base through larger accretion of reserves, limiting dividend payout etc. Banks are also advised to recover the loan and advances extended to their Directors or their relatives/firms, reduce the rate of interest on deposits, reduce the reliance on high cost deposits by widening the depositors base, reduce exposure to sensitive sectors etc.